

**MINUTES OF THE
PROPERTY TAX SUBCOMMITTEE
TAX REFORM TASK FORCE**

Thursday, May 26, 2005 – 1:00 p.m. – Room W110 House Building

Subcommittee Members Present:

Sen. Mike Dmitrich, Chair
Rep. Gordon E. Snow, Chair
Rep. John Dougall
Comm. Pam H. Hendrickson

Members Absent:

Rep. Ralph Becker

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Mr. Mark Andrews, Policy Analyst

Note: A list of others present and a copy of related materials can be found at www.leg.utah.gov or by contacting the task force secretary, Phalin Flowers, at 538-1032. A recording of the meeting is available from the task force secretary.

1. Subcommittee Business

Chair Snow called the meeting to order at 1:00 p.m.

2. Background Information on Utah's Personal Property Tax System and Other States' Personal Property Tax Systems

Mr. Denny Lytle, Director, Property Tax Division, Utah State Tax Commission, distributed "Personal Property Taxes: Utah Overview." Mr. Lytle said that personal property is often defined as what it is not. For example, it is not land, buildings, property permanently attached to real property, or intangible property. Exemptions for personal property include household assets, inventory, farm machinery and equipment, and livestock. Mr. Lytle said that personal property is valued two different ways. The first method is to determine replacement cost minus acquisition cost. The second method is to depreciate the original purchase price. He said that his division develops depreciation schedules for various classes of personal property including property with relatively short and long useful economic lives.

Mr. Lytle explained that the auditing program is a cooperative effort between his division and counties. He said that auditors are provided by Utah State Tax Commission in every county except Salt Lake County. Counties pay 30 percent of the costs of the audit and counties select the companies to audit. Purposes of the audit include educating new taxpayers and reviewing questionable filings. He said that sometimes audits are selected randomly. Benefits of the audits include improved tax compliance and to recover property tax revenue.

Mr. Herb Jenkins, Personal Property Tax Manager, Property Tax Division, Utah State Tax Commission, reviewed with the Subcommittee information on states that exempt personal property from the property tax. These states include Delaware, Hawaii, Illinois, Iowa, Maryland, Massachusetts, and New Hampshire. Mr. Jenkins explained the differences in the tax base between Utah and these states that exempt personal property.

Rep. Snow asked whether it would be feasible to exempting property below a certain fair market value. Mr. Lytle replied that the vast majority of accounts pay a relatively small personal property tax bill. Exempting a certain level of fair market value would require a constitutional amendment.

Rep. Dougall said that he would prefer a solution where most taxpayers do not have to file a personal property tax return.

3. Review of Options - Personal Property Tax

The Subcommittee reviewed various options. Rep. Dougall said that he is developing a proposed constitutional amendment regarding personal property.

4. Other Items / Adjourn

MOTION: Sen. Dmitrich moved to adjourn the meeting. The motion passed unanimously.

Chair Snow adjourned the meeting at 3:45 p.m.